

IMPERIAL CAPITAL LIMITED

(Registration no: 2003/008195/06)

Annual Financial Statements
for the year ended 25 June 2007

IMPERIAL CAPITAL LIMITED
(Registration number: 2003/008195/06)
ANNUAL FINANCIAL STATEMENTS
for the year ended 25 June 2007

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Director's report

A directors' report has not been presented as the company is a wholly owned subsidiary of Imperial Holdings Limited which is incorporated in South Africa.

Statement of responsibility

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of the financial statements in conformity with International Standards on Auditing. The financial statements have been prepared in accordance with International Financial Reporting Standards.

The directors are also responsible for the company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

There has been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

Approval of the annual financial statements

The financial statements which appear on pages 2 to 13 were approved by the board of directors on 13 September 2007 and signed on their behalf by:



HR Brody



M Ferreira

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPERIAL CAPITAL LIMITED

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We have audited the annual financial statements of Imperial Capital Limited, which comprise the balance sheet as at 25 June 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 2 to 13.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

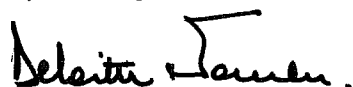
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 25 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



Deloitte & Touche

Per BW Smith
Partner

13 September 2007

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Imperial Capital Limited
Balance sheet as at 25 June 2007

	Note	2007 R	2006 R
Assets			
Non current assets			
Finance leases receivable/Instalment sale agreement	4	2,794,116,433	2,094,496,497
Current assets			
Amount owing by group company	5	-	55,701,846
Accounts receivable		53,850,931	9,647,179
Finance leases receivable/Instalment sale agreement	4	705,661,862	51,817,235
Cash resources		10,595,530	3,471,355
Taxation in advance		-	11,121,854
		<u>770,108,323</u>	<u>131,759,469</u>
Total assets		<u><u>3,564,224,756</u></u>	<u><u>2,226,255,966</u></u>
Equity and Liabilities			
Capital and reserves			
Share capital	6	100	100
Accumulated profits		283,104,342	194,233,809
		<u>283,104,442</u>	<u>194,233,909</u>
Non current liabilities			
Deferred tax liability	7	116,072,811	96,920,279
Long-term debt instruments	8	1,499,641,431	1,002,238,542
Amount owing to group company	9	779,609,171	450,065,400
		<u>2,395,323,413</u>	<u>1,549,224,221</u>
Current liabilities			
Accounts payable		72,576,135	34,659,301
Amount owing to group company	9	153,962,433	77,310,363
Short-term loans payable	10	653,241,493	370,828,172
Taxation		6,016,840	-
		<u>885,796,901</u>	<u>482,797,836</u>
Total equity and liabilities		<u><u>3,564,224,756</u></u>	<u><u>2,226,255,966</u></u>

Imperial Capital Limited
Income statement for the year ended 25 June 2007

	Note	2007 R	2006 R
Interest income		302,611,572	203,867,757
Interest expense		(215,108,405)	(139,349,019)
Fair value adjustments		1,562,789	-
Net interest income		<u>89,065,956</u>	<u>64,518,738</u>
Gain on disposal of returned leased assets		39,831,619	44,628,819
Total income		<u>128,897,575</u>	<u>109,147,557</u>
Operating costs	11	<u>(3,735,816)</u>	<u>(5,083,128)</u>
Profit before taxation		125,161,759	104,064,429
Income tax expense	12	36,291,226	33,876,753
Net profit for the year		<u><u>88,870,533</u></u>	<u><u>70,187,676</u></u>

Imperial Capital Limited
Statement of changes in equity for the year ended 25 June 2007

	Share capital	Accumulated profits	Total
Balance as at 25 June 2005	100	124,046,133	124,046,233
Net profit for the year		70,187,676	70,187,676
Balance as at 25 June 2006	100	194,233,809	194,233,909
Net profit for the year		88,870,533	88,870,533
Balance as at 25 June 2007	100	283,104,342	283,104,442

Imperial Capital Limited

Cash flow statement for the year ended 25 June 2007

	Note	2007 R	2006 R
Cash flow from operating activities			
Cash generated from operations	13.1	31,371,674	51,008,900
Interest expense		(215,108,405)	(139,349,019)
Interest income		302,611,572	203,867,757
Taxation paid	13.2	-	(10,517,929)
Cash flow from operating activities		<u>118,874,841</u>	<u>105,009,709</u>
Cash flow from investing activities			
Increase in finance leases receivable	13.3	<u>(1,353,464,563)</u>	<u>(557,057,642)</u>
Cash flow from investing activities		<u>(1,353,464,563)</u>	<u>(557,057,642)</u>
Cash flow from financing activities			
Net increase/(decrease) in amounts owing to group companies		461,897,687	(918,062,273)
Net increase in long-term debt raised		497,402,889	1,002,238,542
Net increase in short-term loan raised		<u>282,413,321</u>	<u>370,828,172</u>
Cash flow from financing activities		<u>1,241,713,897</u>	<u>455,004,441</u>
Net increase in cash resource		7,124,175	2,956,508
Cash and cash equivalents at the beginning of the year		<u>3,471,355</u>	<u>514,847</u>
Cash and cash equivalents at the end of the year		<u>10,595,530</u>	<u>3,471,355</u>

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2007

1 Accounting policy

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent in all material respects with those applied in the previous year.

1.1 Basis of preparation

The financial statements are stated in Rands and are prepared in accordance with and comply with International Financial Reporting Standards, effective for the company's financial year. The financial statements are prepared on the historical cost basis except for any financial instruments which are revalued.

1.2 Financial instruments

Financial instruments are initially measured at fair value plus transaction costs where applicable, when the company becomes a party to the contractual provisions of the contract. Subsequent to initial recognition these instruments are measured as set out below:

Loans receivable

Loans are recognised at the date that the amount is advanced.

At subsequent reporting dates they are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts.

Trade and other receivables

Trade and other receivables originated by the company are stated at nominal value as reduced by appropriate allowances for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the balance sheet date.

Loans payable

Interest-bearing loans are initially recorded on the day that the loans are advanced at the net proceeds received.

At subsequent reporting dates interest-bearing borrowings are measured at amortised cost using the effective interest rate method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on the accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2007 (Continued)

1.2 Financial instruments (Continued)

Derecognition

The company derecognises a financial asset when its contractual rights to the cash flow from the financial asset expire, or if it transfers the asset together with its contractual rights to receive the cash flows of the financial assets. The company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

1.3 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Amounts due under finance leases are treated as instalment credit agreements.

1.4 Taxation

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowable. It is calculated using tax rates that have been substantively enacted at the balance sheet date.

1.5 Deferred taxes

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

In principal, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are raised only to the extent that their recoverability is probable. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company is able to and intends to settle its current tax assets and liabilities on a net basis.

1.6 Revenue recognition

Revenue arising from the rendering of services is recognised on the accrual basis in accordance with the substance of the agreement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2007 (Continued)

2 Significant accounting judgements and estimates

The preparation of the financial statements requires the company's management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases actuarial techniques. Actual results could differ from those estimates.

The following accounting policies have been identified as involving particularly complex or subjective decisions or assessments:

Income taxes

The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

Contingent liabilities

Management applies its judgment to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

3 Impact of new issued standards and interpretations

The following new or revised IFRS standards and interpretations have been issued with effective dates applicable to future financial statements of the company:

IAS 1 Amendment to International Accounting Standard 1 Presentation of Financial Statements: Capital Disclosures

The amendment requires the company to disclose information that will enable users of its financial statements to evaluate the entity's objectives, policies and processes of managing capital. The amendment first becomes applicable to the company in the financial year ending 25 June 2008, and is not expected to have significant impact on the company.

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2007 (Continued)

3 Impact of new issued standards and interpretations (continued)

IFRS 7 Financial Instruments: Disclosures

The IFRS essentially combines IAS 30 (Disclosure in The Financial Statements of Banks) and IAS 32 (Financial Instruments: Disclosure and Presentation). The standard first becomes applicable to the company in the financial year ending 25 June 2008, and is not expected to have significant impact on the company.

	2007 R	2006 R
4 Finance leases receivable/Instalment sale agreements		
Finance lease agreements	1,310,359,290	1,201,965,954
Instalment sale agreements	2,189,419,005	944,347,778
	<u>3,499,778,295</u>	<u>2,146,313,732</u>
Less Current portion	705,661,862	51,817,235
	<u>2,794,116,433</u>	<u>2,094,496,497</u>
<p>A master lease and instalment sale agreement is in place covering fleets of assets with fellow subsidiaries within the Imperial Holdings Limited Group. The agreement allows for the lessee to terminate each asset lease with one weeks notice. The rental charge is calculated by reference to the monthly depreciation charge on the vehicles plus interest on the outstanding balance of the finance lease receivable which bears interest at variable rates.</p>		
<p><u>Ageing</u></p>		
Less than one year	705,661,862	51,817,235
One to five years	2,385,070,065	1,914,394,981
More than five years	359,046,368	180,101,516
	<u>3,449,778,295</u>	<u>2,146,313,732</u>
Effective interest rates	9.68% - 11.18%	9.45% - 10.45%

There are no unguaranteed residual values as the lessee is responsible for any shortfall in residual values. The amount receivable is secured by the underlying asset.

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2007 (Continued)

	2007 R	2006 R
9 Amount owing to group company		
Imperial Group (Pty) Ltd - Subordinated loan	779,609,171	450,065,400
Imperial Group (Pty) Ltd - Senior portion of inter group loans	153,962,433	77,310,363
	<u>933,571,604</u>	<u>527,375,763</u>
<p>The loan bears interest at current call rates and has no fixed repayment term. The subordinated loan can only be repaid once all the interest bearing liabilities have been settled and is considered to be of a long-term nature. The senior portion is repaid on demand and considered to be short-term of nature.</p>		
10 Short-term loans payable		
Commercial Paper	620,047,157	343,803,715
Current portion of long term debt	33,194,336	27,024,457
	<u>653,241,493</u>	<u>370,828,172</u>
11 Operating costs		
These are arrived at after charging:		
Auditor's remuneration	212,952	104,699
Consulting-fees	-	2,842,889
	<u>212,952</u>	<u>2,947,588</u>
12 Income tax expense		
SA normal tax		-
Current year	17,133,010	-
Deferred tax		
Current year	19,152,532	30,179,835
Prior year	-	3,696,918
Capital gains tax	5,684	-
	<u>36,291,226</u>	<u>33,876,753</u>
Reconciliation of tax rates:	%	%
Effective rate -	29.0	32.6
Taxation effect of:		
Prior year	-	(3.6)
Statutory rate	<u>29.0</u>	<u>29.0</u>

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2007 (Continued)

	2007 R	2006 R
13.1 Cash generated from operations		
Profit before taxation	125,161,759	104,064,429
Adjusted for:		
Interest expense	215,108,405	139,349,019
Interest income	(302,611,572)	(203,867,757)
Movements in working capital	37,658,592	39,545,691
Increase in accounts receivable	(44,203,752)	(3,716,148)
Increase in accounts payable	37,916,834	15,179,357
	31,371,674	51,008,900
13.2 Taxation paid		
Charge in income statement	(36,291,226)	(33,876,753)
Movement in taxation balance	17,138,694	(10,517,929)
Deferred tax charge	19,152,532	33,876,753
Payments made	-	(10,517,929)
	(1,001,920)	(10,517,929)
13.3 Increase in finance lease receivable		
Movement in finance lease receivables	(1,353,464,563)	(448,422,066)
Acquisition of deferred tax liability	-	(108,635,576)
	(1,353,464,563)	(557,057,642)
14 Related party transactions		
<u>Inter company balances</u>		
These are fully disclosed under notes 4,5 and 9.		
<u>Inter company revenue</u>		
Interest income		
Imperial Group (Pty) Ltd	270,913,119	202,320,503
MCC Contracts (Pty) Ltd	21,091,817	320,215
Mutual Construction Company Transvaal (Pty) Ltd	8,702,333	17,920
New Century Transport (Pty) Ltd	1,421,009	-
	302,128,278	202,658,638
Interest expense		
Imperial Group (Pty) Ltd	(61,879,152)	(88,814,357)
	(61,879,152)	(88,814,357)

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2007 (Continued)

15 Financial instruments

Interest rate risk

This is the risk that fluctuations in interest rates adversely impact on the company's earnings, assets, liabilities and capital. The company is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

Credit risk

Credit risk is managed by having security of the underlying assets which are financed and by monitoring the repayment and any arrears.

Liquidity risk

This is the risk of not being able to generate sufficient cash to meet commitments to borrowers, depositors and other creditors at any point in time. The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.